

Message Text

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TO SECSTATE WASHDC 2782

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DIA WASHDC

USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L LISBON 2708

E.O. 11652: GDS

TAGS: PINT, PO

SUBJ: POLITICAL DEVELOPMENTS

REF: (A) LISBON 2600

(B) LISBON 2601

(C) LISBON 2672

(D) DAO MSG 131552Z MAY 75.

(E) LISBON 2691

SUMMARY: THE CURRENT POLITICAL SCENE CONTINUES TO BE DOMINATED BY THE TENSION BETWEEN THE ARMED FORCES MOVEMENT AND THE POLITICAL PARTIES. EROSION OF THE MODERATES WITHIN THE AFM CONTINUES, AND THE REVOLUTIONARY COUNCIL MAY BE LOSING TWO MODERATE OFFICERS. MEANWHILE, THE PROBLEM OF A DECLINING ECONOMY HAS BECOME FRONT PAGE NEWS AND AN IMPORTANT POLITICAL FACTOR. END SUMMARY

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1. THE CURRENT POLITICAL SCENE CONTINUES TO BE DOMINATED BY THE POST-ELECTION TENSION BETWEEN THE ARMED FORCES MOVEMENT (AFM) AND THE POLITICAL PARTIES: (REF A).

2. REVOLUTIONARY COUNCIL PROBLEMS: EROSION OF THE MODERATES WITHIN THE MILITARY IS CONTINUING, WITH ADDITIONAL PURGES IN THE ARMY (REF C) AND LIKELIHOOD THAT AIR FORCE CHIEF MENDES DIAS AND AF GEN PINHO FREIRE, BOTH MODERATES, WILL BE FORCED OUT OF THEIR JOBS AND OUT OF THE REVOLUTIONARY COUNCIL (REF D). MODERATE ELEMENTS WITHIN THE AFM HAVE BEEN HOPING THAT THE ELECTORAL POWER OF THE PS AND PPD WOULD MAKE ITSELF FELT WITHIN THE COUNCIL AND THAT THE MODERATES, UNDER THE LEADERSHIP OF PRESIDENT COSTA GOMES, WOULD BE ABLE TO BREAK OUT OF THE DEFENSIVE POSITION THEY WERE FORCED INTO AFTER MARCH 11. THE MODERATES SAW MORE ROOM FOR MANEUVER AFTER SOME OF THE PRE-MARCH 11 ALLIES OF THE COMMUNISTS, REPORTEDLY INCLUDING ADM ROSA COUTINHO, LT JUDAS, AND LCDR CONTREIRAS, HAD BECOME CONCERNED WITH THE ENHANCED POWER OF THE PCP AFTER THE COUP ATTEMPT. IF MENDES DIAS AND PINHO FREIRE ARE REPLACED BY LEFTISTS, THE MODERATES WILL HAVE RECEIVED A SIGNIFICANT SETBACK.

3. POLITICAL-ECONOMIC PROBLEMS:

--NEW ECONOMIC MEASURES: ON MAY 13, THE GOP ANNOUNCED FURTHER NATIONALIZATIONS (LISBON 2691), A SALARY FREEZE FOR HIGHER INCOMES, A LOW TOP LIMIT ON PRIVATE SECTOR INCOMES, AND A SUBSTANTIALLY INCREASED MINIMUM WAGE (LISBON 2697).. THESE MEASURES, HIGHLY POLITICAL IN NATURE, WERE ANTICIPATED AS PART OF THE GOP PROGRAM FOR SOCIALIZING THE ECONOMY, BUT THEY CAN AT TIME WHEN THE GOP IS ANXIOUS TO APPEAR TO BE TAKING THE INITIATIVE IN COUNTERING THE ECONOMIC DECLINE.

--THE BATTLE FOR PRODUCTION: THE THEME FOR THE GOP REACTION TO THE STEADY ECONOMIC SLIDE IS "THE BATTLE FOR PRODUCTION," A PHRASE THAT HAS NOW BECOME COMMONPLACE IN THE MEDIA AS THE RALLYING CRY FOR THE SOLUTION OF PORTUGAL'S ECONOMIC DIFFICULTIES. A ROUND TABLE TV SHOW ON THIS SUBJECT WITH THE FOUR PARTY LEADERS WHO SERVE AS MINISTERS WITHOUT PORTFOLIO WAS HELD ON MAY 11. ORIGINALLY CONCEIVED BY PPD LEADER MAGALHAES MOTA AS CONFIDENTIAL

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BRIEF DEMONSTRATION OF SOLIDARITY WITHIN THE GOVERNING COALITION, IT BECAME A DREARY AND LENGTHY RECITAL OF PARTY POSITIONS. AFM SPOKESMAN LT. CORREIRA DOMINATED PROCEEDINGS IN HIS ROLE AS MODERATOR, CLEARLY SYMBOLIZING THE WEAKNESS OF THE POLITICAL PARTIES. NEVERTHELESS, THE PPD, AS THE MOST THREATENED OF THE COALITION PARTIES, FOUND THE EXERCISE A USEFUL PUBLIC DEMONSTRATION OF ITS LEGITIMATE ROLE IN THE GOVERNMENT.

--COMMUNIST LABOR ACTIVITIES: THE DEMOCRATIC PARTIES HAVE BECOME CONVINCED THAT THE PCP IS PLAYING BOTH SIDES OF THE LABOR FENCE--ON ONE HAND STIMULATING STRIKES WHILE ON THE OTHER CALLING FOR RESPONSIBILITY ON THE PART OF THE WORKERS AND SEEKING TO DEMONSTRATE TO THE AFM THAT THE PCP IS THE ONLY FORCE IN THE COUNTRY ABLE TO KEEP LABOR PEACE (REF B).

--RATIONING AND AUSTERITY: NEWSPAPERS HAVE BEGUN TO WRITE, AND TALK IS WIDESPREAD, ABOUT THE POSSIBILITY OF RATIONING OF GAS AND OTHER COMMUNITIES. UNTIL NOW THE EFFECTS OF THE ECONOMIC DETERIORATION HAVE NOT BEEN EVIDENT TO THE AVERAGE WORKER AND HOUSEWIFE. EMBASSY CANNOT CONFIRM RATIONING RUMORS, BUT, TRUE OR NOT, THEY ARE BECOMING AN IMPORTANT POLITICAL FACTOR.

4. POLITICAL PROBLEMS:

--THE CONSTITUENT ASSEMBLY: THE ASSEMBLY IS SCHEDULED TO MEET FOR THE FIRST TIME ON JUNE 2. ALTHOUGH THERE HAS BEEN A TENDENCY TO DOWNPLAY THE IMPORTANCE OF THE ASSEMBLY, BOTH THE PPD AND THE PS SEE IT--PERHAPS WISHFULLY--AS (A) A VITAL FORUM FOR GETTING ACROSS THEIR IDEAS ON A POLITICAL AND ECONOMIC ISSUES, NOR ALL NECESSARILY RELATED TO THE WORK OF THE ASSEMBLY; AND (B) AN OPPORTUNITY WITHIN THE RATHER LARGE BOUNDARIES ESTABLISHED BY THE PACT OF UNDERSTANDING TO HAVE A MAJOR INFLUENCE ON THE NEW GOVERNMENTAL STRUCTURE.

--LOCAL ELECTIONS: AN EXAMPLE OF AN AREA WHERE THE CONSTITUENT ASSEMBLY MAY BE ABLE TO MAKE AN EFFECTIVE IMPACT WILL BE LOCAL ELECTIONS. BOTH THE PPD AND THE PS HAVE CALLED FOR LOCAL ELECTIONS AS SOON AS POSSIBLE IN ORDER TO REPLACE THE FELLOW-TRAVELLING MDP MEMBERS WHO SEIZED CONTROL OF LOCAL GOVERNMENTS ALL OVER PORTUGAL AFTER APRIL 25, 1974. THE COMMUNISTS AND THE MDP REJECTED THE ELECTION CALL, BUT CPT. LOURENCO OF THE RC HAS SAID THAT ELECTIONS WILL BE HELD AFTER THE ASSEMBLY HAS COMPLETED

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ITS WORK. THE ASSEMBLY WILL HAVE AN IMPORTANT TASK IN DESIGNING THE STRUCTURE OF LOCAL ADMINISTRATION IN A COUNTRY THAT IN THE PAST HAS BEEN HIGHLY CENTRALIZED, AN ARRANGEMENT THE TOTALITARIAN LEFT WOULD PREFER TO RETAIN.

5. PARTY PROBLEMS:

--PS: ALTHOUGH SOARES AIDES DENY IT, WE HAVE HEARD FROM OTHER SOURCES THAT THERE WILL BE AN ATTEMPT WITHIN THE SOCIALIST PARTY TO REMOVE SOARES SUPPORTERS FROM THE LEADERSHIP OF THE PARTY. SOARES HIMSELF WOULD BE RETAINED AS SECRETARY GENERAL SINCE HIS PERSONAL POSITION HAS BEEN REINFORCED BY THE UNEXPECTED SIZE OF THE PS ELECTION VICTORY. NATIONAL SECRETARIAT ELECTIONS ARE SCHEDULED FOR MAY 17-18.

--PPD: PPD LEADERS ARE CONVINCED THAT THE SICKNESS AND RESULTING

ABSENCE OF PPD SECRETARY-GENERAL SA CARNEIRO DURING THE ELECTION CAMPAIGN COST THE PARTY CONSIDERABLE VOTES. THE PARTY GIVES THE IMPRESSION OF BEING LEADERLESS AND THE ACTING HEAD, MINISTER WITHOUT PORTFOLIO MAGALHAES MOTA, IS NOT A DYNAMIC PUBLIC FIGURE, SA CARNEIRO HAS AGRRED TO STEP UPSTAIRS TO THE PRESIDENCY AND PERMIT A NEW SECRETARY-GENERAL TO BE ELECTED AT A PARTY CONGRESS SCHEDULED FOR JUNE. RUI MACHETE, FRANCISCO BALSEMAO, SA BORGES, AND MAGALHAES MOTA ARE LIKELY CANDIDATES, BUT NONE INSPIRES MUCH ENTHUSIASM AMONG THE RANK AND FILE.

--CDS: THE CDS IS FIGHTING TO STAY ALIVE. ON MAY 11, THE ARMY PREVENTED AN ATTACK ON A CDS MEETING IN OPORTO BY "ANTI-FASCISTS," AND DAILY DEMANDS ARE HEARD FROM THE EXTREME LEFT FOR THE PARTY'S BANNING. THE CDS HAS HOPES FOR THE CONSTITUENT ASSEMBLY, WHERE IT CAN SPEAK OUT WITHOUT FEAR OF HARASSMENT AND WHERE THE LEGAL AND PARLIAMENTARY SKILLS OF ITS AGILE LEADER, FREITAS DO AMARAL, CAN BE BROUGHT TO BEAR.
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